



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Village Council of Witvlei for the financial years ended 30 June 2008 and 2009, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009**

1. INTRODUCTION

The accounts of the Village Council of Witvlei for the years ended 30 June 2008 and 2009 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm NC Tromp Accountants of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Village Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Village Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992, **except that they were only finalised on 19 April 2013 instead of six months after the year-end as required by the Act.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheets at Annexure A are a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Income statements

Annexure C: Cash flow statements

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Village Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Internal control and accounting records

There was no sufficient system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

4.2 Property, plant and equipment

No list of assets or fixed asset register were available at the time of the audit.

No depreciation was calculated on plant and equipment and no evidence of insurance could be provided by the Council at the time of the audit.

4.3 Trade receivables

No debtors list or age analysis were available at the time of the audit. It was also noted that the Council did not provide for doubtful debts. It is advised that the Council should prepare a debtors list/age analysis and provide for possible bad debts in future.

No listing for housing fund debtors was available and thus the auditors could not verify the housing fund balance to their satisfaction.

4.4 Inventories

No inventories were accounted for in the financial statements of the Village Council. Due to poor record keeping at the Village Council the auditors were unable to calculate the estimated amount of inventories.

4.5 Trade and other payables

No adjustment was made in the financial statements to reflect the P.A.Y.E. and VAT liabilities.

No records for the provision for VAT control account were available at the Village Council and the auditors were thus unable to verify anything on the VAT account. The Council must reconcile its ledger balance with the Receiver of Revenue records.

The provision for leave pay balance was nil. The auditors suggest a calculated leave provision in the financial statements.

It is noted that no provision was made for the Employee Benefits - payment on retirement. The auditors suggest that a calculation be done and provided for in the financial statements.

4.6 Consumer deposits

No details of consumer deposits are available at the Village Council.

4.7 Salaries

The PAYE calculated on the employees salaries are not correct and was deducted incorrect. The PAYE is not paid over timeously to the authorities. The auditors suggest proper calculations should be done and the monies paid over according to the law.

4.7 Liquidity position

Although current ratio appears to be adequate on the face of the balance sheet, the estimated fair value of the debtors book could not be calculated. The non-payment of the GRN loan and the understatement of creditors can result in a negative current ratio and lead to the non-payment of liabilities.

4.8 Minutes of meetings

The minutes of meetings provided for audit purposes were not complete.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Village Council of Witvlei during the audit is appreciated.

6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2008				(127 913)
General accounts				
- Non-profitable	2 474 265	2 010 104	464 161	
- Self-supporting	169 238	-	169 238	
Trade accounts				
- Water	390 894	850 864	(459 970)	
- Electricity	439 448	315 270	124 178	
Surplus for the year	3 473 845	3 176 238	297 607	297 607
Adjustments and utilisations				169 694
				72 000
Accumulated surplus 30/06/2009				241 694

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2007				(917 619)
General accounts				
- Non-profitable	3 310 969	2 358 032	952 937	
- Self-supporting	149 090	-	149 090	
Trade accounts				
- Water	330 936	801 634	(470 698)	
- Electricity	310 767	275 757	35 010	
Surplus for the year	4 101 762	3 435 423	666 339	666 339
Adjustments and utilisations				(251 280)
				123 367
Accumulated deficit 30/06/2008				(127 913)

7. CURRENT BANK ACCOUNT

According to the Village Council the bank balance at year-end was N\$ 92 665: 2009 and N\$ 48 283: 2008. The balance consist of an overdraft of N\$ 2 992: 2009 and N\$ 6 816: 2008 and a positive balance of N\$ 95 657: 2009 and N\$ 55 099: 2008. At the time of the audit no bank statements could be provided for the latter.

8. INVESTMENTS AND INTEREST PROCEEDS

According to the financial statements of the Council there were N\$ 852 041 for 2008 that was invested at year-end. These investments could not be confirmed due to lack of documentation.

The investments as at 30 June were as follows:

Institution	2009	2008	2007
	N\$	N\$	N\$
Housing Fund	986 778	852 041	682 232
Capital Reserve Fund	380 160	-	14 007
Totals	1 366 938	852 041	696 239

The investments were allocated as follows:

Allocation	2009	2008	2007
	N\$	N\$	N\$
Housing Fund	986 778	852 041	682 232
Capital Reserve Fund	380 160	-	14 007
	1 366 938	852 041	696 239

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in Note 7 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of electricity and water operations were as follows:

	Electricity		Water	
	2009	2008	2009	2008
	N\$	N\$	N\$	N\$
Sales	439 448	310 767	390 894	330 936
Cost of sales	(315 270)	(275 757)	(850 864)	(801 634)
Gross (loss)/profit	124 178	35 010	(459 970)	(470 698)
Net (deficit)/surplus	124 178	35 010	(459 970)	(470 698)
Gross (loss)/profit percentages on sales	28.3%	11.3%	(117.7%)	(142.2%)
Net (loss)/profit percentage on sales	28.3%	11.3%	(117.7%)	(142.2%)

	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	310 767	429 956	330 936	502 049
Cost of sales	(275 757)	(682 135)	(801 634)	(772 053)
Gross (loss)/profit	35 010	(252 179)	(470 698)	(270 005)
Net (deficit)/surplus	35 010	(252 179)	(470 698)	(270 005)
Gross (loss)/profit percentages on sales	11.3%	(58.7%)	(142.2%)	(53.8%)
Net (loss)/profit percentage on sales	11.3%	(58.7%)	(142.2%)	(53.8%)

The cost of sales of water includes interest charge on the overdue account at Namwater, and is thus overstated.

10.2 Water distribution results, in cubic meters

No statistics were kept by the Village Council to calculate the distribution losses. The Village Council, in future, must record the cubic meters sold and purchase to calculate distribution losses.

11. SELF-SUPPORTING SERVICES

11.1 The result for the years under review are as follow:

	Income 2009	Expenses 2009	Surplus/ (Deficit) 2009	Surplus/ (Deficit) 2008
	N\$	N\$	N\$	N\$
Housing	37 672	-	37 672	37 472
Sewerage and cleansing services	131 566	-	131 566	111 618
	169 238	-	169 238	149 090

	Income 2008	Expenses 2008	Surplus/ (Deficit) 2008	Surplus/ (Deficit) 2007
	N\$	N\$	N\$	N\$
Housing	37 472	-	37 472	-
Sewerage and cleansing services	111 618	-	111 618	(77 495)
Village Planning	-	-	-	36 503
	149 090	-	149 090	(40 992)

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was incurred during the years under review.

13. SUSPENSE ACCOUNTS

There are no suspense accounts except as reflected in the financial statements for the years under review.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were incurred by the Village Council for the years under review.

15. CAPITAL PROJECTS

According to the financial statements of the Council no expense of a capital nature was incurred during the years under review.

16. BURSARIES

No bursaries were granted by the Village Council for the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

According to financial statements of the Council, contribution from Government amounted to N\$ 1 200 000: 2009 and N\$ 2 040 875: 2008. The auditors could not verify this due to a lack of documentation.

18. COMPENSATION PAYMENTS

No compensation payments were claimed against the Village Council during the years under review.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries during the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Village Council for the years under review.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses for the years under review.

22. TRANSFER OF PROPERTY

No property was sold and transferred during the years under review.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were:

	2009	2008	2007
	N\$	N\$	N\$
Services	791 131	567 323	451 548
Assessment rates	1 077 949	905 483	488 741
Total	1 869 080	1 472 806	940 289

No debtors list or age analysis available at the time of the audit. It was also noted that the Council did not provide for doubtful debts. It is advised that Council should prepare a debtors list/age analysis and provide for possible bad debts in future.

As stated above no debtors listing was available and the auditors thus could not verify the debtor balance to their satisfaction.

23.2 Trade and other payables at 30 June were:

	2009	2008	2007
	N\$	N\$	N\$
Trade payables	1 720 710	1 141 876	1 198 621
Deposits	10 990	10 490	10 140
Totals	1 731 700	1 152 366	1 208 761

24. ASSESSMENT RATES

No documentation was available for the years under review.

25. LOANS

25.1 External loans

	2009	2008	2007
	N\$	N\$	N\$
GRN	1 257 379	1 257 379	1 257 379

25.2 Due to the Village Council

None.

25.3 Loans written off

No loans were written off for the years under review.

26. SALE OF ERVEN

Due to non availability of sale of erven register, this information is not available for the years under review.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven was sold on instalment basis for the years under review.

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette for the years under review.

29. APPROVALS

29.1 Excess on approved budget

There was no excess on approved budget for the years under review.

29.2 Internal loans

There were no internal loans for the years under review.

29.3 Revenue written off

No revenue was written off for the years under review.

30. INVENTORY AND EQUIPMENT

No fixed asset register for the years under review were available at the time of the audit.

30.1 Inventory

No inventory records were available for the years under review.

31. SPECIAL INVESTIGATIONS

No special investigations were performed for the years under review.

32. GENERAL

There is not a sufficient system of internal control at the Village Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries

Supporting documentation

Some of the supporting documentation to verify the expenses could not be obtained.

Water distribution in units

No statistics were kept by the Village Council to calculate the distribution losses. The Village Council, in future, must record the cubic meters sold and purchase to calculate distribution losses.

Sale of erven

No Sale of Erven Register was kept at the Village Council.

VAT returns

No evidence could be obtained for VAT returns submitted to inland revenue.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Witvlei for the financial years end 30 June 2008 and 2009, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

I am unable to express an audit opinion due to the following reasons:

- No system of internal control exists;
- No fixed asset register exists;
- No list of debtors exists;
- Inventories were not accounted for;
- No records for VAT exists;
- No consumer deposits exists; and
- Salary deductions are incorrect.

VILLAGE COUNCIL OF WITVLEI

BALANCE SHEETS FOR THE YEARS ENDED 30 JUNE

	Note	2009 N\$	2008 N\$	2007 N\$
ASSETS				
NON CURRENT ASSETS				
		4 579 37	3 902 278	3 020 325
Property, plant and equipment	2	3 212 699	3 050 237	2 324 086
Investments	3	1 366 938	852 041	696 239
CURRENT ASSETS				
		1 961 745	1 521 089	940 289
Trade and other receivables	4	1 869 080	1 472 806	940 289
Bank and cash	5	92 665	48 283	-
TOTAL ASSETS				
		6 541 382	5 423 367	3 960 614
FUNDS AND LIABILITIES				
FUNDS AND RESERVES				
		3 552 303	3 013 622	1 492 781
Capital outlay	6	2 009 823	1 847 361	1 121 210
Funds and accounts	7	1 542 480	1 166 261	371 571
NON-CURRENT LIABILITIES				
Long-term liabilities	8	1 257 379	1 257 379	1 257 379
CURRENT LIABILITIES				
		1 731 700	1 152 366	1 210 454
Bank overdraft	5	-	-	1 693
Trade and other payables	9	1 731 700	1 152 366	1 208 761
TOTAL FUNDS AND LIABILITIES				
		6 541 382	5 423 367	3 960 614

VILLAGE COUNCIL OF WITVLEI

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2009	2008	2007
		N\$	N\$
INCOME	3 473 845	4 101 762	2 827 681
EXPENDITURE	(3 176 238)	(3 435 423)	(3 530 014)
NET OPERATING PROFIT	297 607	666 339	(702 333)
NET PROFIT FOR THE YEAR	297 607	666 339	(702 333)
REVENUE ACCOUNT ADJUSTMENT	72 000	123 367	
	369 607	789 706	(702 333)
REVENUE ACCOUNT - Beginning of year	(127 913)	(917 619)	(215 286)
REVENUE ACCOUNT - End of year	241 694	(127 913)	(917 619)

VILLAGE COUNCIL OF WITVLEI

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	2009 N\$	2008 N\$	2007 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		3 473 845	4 101 762	2 827 681
Cash paid to suppliers		(2 921 178)	(3 900 968)	(2 976 505)
Cash utilised by operations	10	552 667	200 794	(148 824)
Movement in Fund accounts				
- Fund accounts		6 612	4 984	842 861
- Capital outlay		162 462	726 151	659 557
Net cash flow from operating activities		721 741	931 929	1 353 594
CASH FLOW FROM INVESTING ACTIVITIES				
Net capital expenditure		(162 462)	(726 151)	(659 557)
Increase in investments		(514 897)	(155 802)	(696 239)
		(677 359)	(881 953)	(1 355 796)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS				
		44 382	49 976	(2 202)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR				
		48 283	(1 693)	509
CASH AND CASH EQUIVALENTS - END OF YEAR				
	5	92 665	48 283	(1 693)

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money marked instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following Funds were created by the Town Council:

1.4.1 Fixed Property Fund

Proceeds from the sale of land, that has been developed by the Town Council, accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

1.4.2 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

2. PROPERTY, PLANT AND EQUIPMENT

	2009	2008	2007
	N\$	N\$	N\$
Property development, vehicles, plant and equipment	3 212 699	3 050 237	2 324 086
Total	3 212 699	3 050 237	2 324 086

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	N\$	N\$	N\$
3. INVESTMENTS			
The investments were allocated as follows:			
Housing Fund	986 778	852 041	682 232
Capital Reserve Fund	380 160	-	14 007
Total	<u>1 366 938</u>	<u>852 041</u>	<u>696 239</u>
4. TRADE AND OTHER RECEIVABLES			
Services	791 131	567 323	451 548
Assessment rates	1 077 949	905 483	488 741
	<u>1 869 080</u>	<u>1 472 806</u>	<u>940 289</u>
5. CASH AND BANK BALANCES			
Current bank account	(2 992)	(6 816)	(1 693)
Witvlei Namwater joint account	95 657	55 099	-
	<u>92 665</u>	<u>48 283</u>	<u>(1 693)</u>
6. CAPITAL OUTLAY			
Revenue contributions	1 866 813	1 704 351	978 200
Loans redeemed	142 990	142 990	142 990
General Capital contributions	20	20	20
	<u>2 009 823</u>	<u>1 847 361</u>	<u>1 121 210</u>
7. FUNDS AND ACCOUNTS			
Housing Fund	986 777	985 165	985 081
Capital Reserve Fund	8 006	8 006	8 006
Fixed Property Fund	306 003	301 003	296 103
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	241 694	(127 913)	(917 619)
	<u>1 542 480</u>	<u>1 166 261</u>	<u>371 571</u>
8. LONG-TERM LIABILITIES			
Government loans	1 257 379	1 257 379	1 257 379
	<u>1 257 379</u>	<u>1 257 379</u>	<u>1 257 379</u>

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	N\$	N\$	N\$
9. TRADE AND OTHER PAYABLES			
Trade payables	1 720 710	1 141 876	1 198 621
Deposits	10 990	10 490	10 140
	<u>1 731 700</u>	<u>1 152 366</u>	<u>1 208 761</u>
10. CASH UTILISED BY OPERATIONS			
Net operating loss before transfers	369 607	789 706	(702 333)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>369 607</u>	<u>789 706</u>	<u>(702 333)</u>
CHANGES IN WORKING CAPITAL			
(Increase)/Decrease in trade and other receivables	(396 274)	(532 517)	(156 795)
Increase in trade and other payables	579 334	(56 395)	710 304
	<u>183 060</u>	<u>(588 912)</u>	<u>553 509</u>
CASH UTILISED BY OPERATIONS	<u>552 667</u>	<u>200 794</u>	<u>148 824</u>